

IN THE SPECIFICATION:

Please rewrite the paragraph that appears at page 8, line 11, through page 9, line 2, as follows:

C\ Filtering is performed on each block of samples. One image is logically divided into a plurality of blocks by the controller 20. Talking of one image, as far as a color image is concerned, since the color image is coded in units of one color, one image refers to an image of one color alone. Normally, an input means (digital camera or scanner) decomposes a color image into color components. The circuit 104 is not involved in the decomposition. The blocks are numbered so that they will be processed in numerical order. Each block is shaped like a square, and adjoining blocks overlap by zero or one column of samples and/or one row thereof. All the blocks have the same number of samples (W samples by H samples where W denotes the number of samples vertically lined in an image and H denotes the number of samples horizontally lined therein, or preferably, $[2W+OP]^2$ where W denotes the number of horizontally lined samples or pixels and OP denotes the number of columns or rows shared by overlapping blocks or preferably, $[W+OW]*[H+OH]$, where OW denotes the number of columns and OH the number of rows shared by overlapping blocks. In a preferred embodiment the blocks are square, and therefore their size is equal to $[2w+OP]^2$ where $2w=W=H$ and OP denotes the number of columns or rows shared by overlapping blocks). The blocks are all filtered according to the same method (subjected to discrete wavelet transformation). The discrete wavelet transformation to be performed on each block is referred to as the block-based discrete wavelet transformation.

Please rewrite the paragraph that appears at page 10, lines 15-21, as follows:

C2 Samples constituting a block are read in predetermined order, for example, zigzag from the left upper corner to the right lower corner. Blocks are read from the RAM 103 in predetermined order as shown in Fig. 5. In Fig. 5, ~~the samples are read zigzag the~~ blocks are read in zigzag. However, the order of reading is not limited to the zigzag order. Any other order of reading will do as long as the memory occupancy ratio of data being processed is minimized, that is, the size of a required memory in the circuit 104 is minimized.

Please rewrite the paragraph appearing at page 15, line 18-20, as follows:

M ~~At step E7~~ At step E8, it is judged whether the current resolution level is the highest resolution level. In the embodiment shown in this drawing, the highest resolution level is 4. It is therefore judged whether the parameter L equals to 4.